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As the County Administrative Officer for the largest county in the contiguous United States, I am proud to present this fiscally sound spending plan for 2009-10. The plan uses no one-time monies to finance ongoing costs and does not rely on the use of County reserves for operations. While this final budget was adopted on June 23, 2009, the process to create it started much earlier to ensure a balanced budget.

Revenue forecasts, coupled with the historical trend of what goes up must come down, demonstrated that a downturn in the economy was imminent. While the extent of the impact was unknown, the County began to lay the groundwork years earlier for what proved to be a major economic meltdown, compounded by the state's inability to manage its budget.

This County, as an entity, is committed to providing services and doing so in a fiscally prudent manner. Based on the projected continuing financial shortfall, ongoing costs needed to be curtailed. In keeping with our policies, which maintain that one-time funding will not be used for ongoing needs, we began to reduce. This reduction first took the form of a hiring "chill" two years ago. We also factored into our plan natural attrition that occurs in staffing. Our goal was to reduce one of the most significant County costs – staffing. By scaling down, we have avoided significant layoffs and more importantly, service disruptions.

Departmental updates regarding state budget impacts and the local economic impacts continued through the budget process. The message was clear, departments would be dealing with shrinking budgets and in many cases increased program caseloads. The impending revenue reductions would require more tough choices to be made in order to further reduce costs.

The reduction process started mid-year when the 2008-09 final budget was modified with an 8% Reduction Plan. Departments met this initial decrease by absorbing increased salary and benefit costs resulting from negotiated labor agreements without receiving additional financing. Other cost cutting measures, such as the deletion of vacant budgeted positions, were also implemented.

The development of the 2009-10 budget required additional mitigation measures to be factored into the financing plan. Departments were again impacted by another 8% Reduction Plan. Additionally, employees contributed to the budget solution by accepting salary reductions either by foregoing pay raises or by reduced work weeks. A Retirement Incentive Program was also enacted that provided a \$1,000-per-year-of-service incentive to employees retiring before June 30, 2009. Over 300 employees took advantage of this program, which will provide substantial ongoing savings as vacated positions must be held open for five years. The use of ongoing set asides and shifts in funding strategies were also used to mitigate the shortfall for 2009-10.

The Board of Supervisors adopted the County's 2009-10 final budget with few amendments. While not a typical budget presentation, as no recommendations were made for additional general fund financing, the budget held fast to our commitment of not using one-time funding for ongoing needs, while still investing in our future by building capital projects, such as the Central Juvenile Hall facility, new government center office buildings in both the High Desert and Morongo Basin, the Arrowhead Regional Medical Center's 6th floor remodel, and a new medical office building.



The current economic climate continues to threaten County programs and local government. However, we are committed to making the most of our financing, capitalizing on the strengths of our employees to provide the necessary services in the most efficient manner as highlighted below.

THE BUDGET IN BRIEF

The County produces two budget books. This budget book presents the General Fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds. Additionally, there is a budget book for Board Governed Special Districts. The total spending authority for the County and Board Governed Special Districts in 2009-10 is \$3.8 billion and \$0.5 billion, respectively, for a combined total of \$4.3 billion. Although total spending authority remained the same as in the prior year, considerable decreases in general fund financing were offset with significant increases from State and Federal sources for Human Services programs.

The General Fund spending authority totals \$2.4 billion and is funded by departmental revenues, countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.4 billion, the Board of Supervisors has discretion over \$627.7 million.

When the 2009-10 final budget was adopted, there was \$59.7 million in general purpose reserves and \$146.4 million in specific purpose reserves. The specific purpose reserve balance declined from the prior year due to planned, one-time allocations to projects for which the reserves were created. Over \$51.0 million of these allocations went to major capital projects. The final budget also included \$24.0 million in ongoing funding set-aside to pay for the County's future space needs, such as the proposed San Bernardino Government Center replacement project. This ongoing set-aside, if unspent at the end of the fiscal year, will be transferred to the corresponding specific purpose reserve.

2009-10 HIGHLIGHTS

Health

The three major health departments continue to be committed to the concept of integration – whereby all County health services are located and easily accessed in centralized locations. With Public Health providing preventive care, Arrowhead Regional Medical Center (ARMC) providing primary care, and Behavioral Health providing comprehensive mental health services, these integration efforts will place the County in a position to provide unparalleled access to a full range of health care services to the community, in a seamless and cost effective environment, including vital linkages to other County Social Services programs. These will prove crucial in this current economic climate. In 2008-09, the Integration Team brought forward the first of several plans that will ultimately introduce five regional integrated health service facilities aimed at bringing comprehensive health services to every area of the County. The first fully integrated clinic, to be located in the Fifth District, will become a model for the delivery of future health care services in the County and will showcase the County as a pioneer in this concept of health care operations.

In addition, the Public Health Department is gearing up to receive additional funding from the California Department of Public Health for planning, preparing and responding to an H1N1 (commonly known as Swine Flu) Influenza pandemic. With these funds, the County will begin to implement H1N1 vaccination clinics throughout all parts of the county as well dispense vaccines to health care providers.

The County's Probation and Sheriff's Department are continuing to recognize savings as well as increased efficiency through the use of an automated pharmaceutical system that dispenses medications at the County's detention facilities from on-site packagers that are interfaced with Arrowhead Regional Medical Center's pharmacy and the departments' information management systems.

Safety

In the area of safety, the County is continuing to support comprehensive crime prevention and neighborhood revitalization programs. The Board of Supervisors approved an award through the Recovery and Reinvestment Act of 2009, Edward Byrne Memorial Justice Assistance Grant (JAG) to prevent or reduce crime and violence throughout the county. This grant supports County projects, which include, but are not limited to, drug courts, a security system for the Sheriff's Colorado River station, case management program enhancements and programming for the Probation department, and a scanning project for the Public Defender.

In addition, the Board of Supervisors appropriated Southwest Border Prosecution Initiative funding towards several projects that support the safety of residents, which include construction of a housing unit on the Colorado River for the Sheriff-Coroner as well as computer equipment and scanners for the Public Defender, among others.

The County was recently designated as "StormReady" by the National Weather Service. StormReady is a nationwide program that helps communities better prepare and protect their citizens during all types of severe weather events. The County's preparedness and planning activities for hazardous weather include the establishment of a 24-hour warning point and Emergency Operations Center, the ability to have more than one way to receive severe weather warnings and forecasts to alert the public, the promotion of public readiness through community seminars, and the development of a hazardous weather plan. With this designation, participation in the StormReady program, once recognized by the National Flood Insurance Program's Community Rating System, may qualify the community for a discount on Flood Insurance premiums.

Well-Being

Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the recent economic downturn. As a result, state and federal funding increases in the HS subsistence programs of CalWORKs, and Aid to Adoptive Children were made to assist residents in need. Additionally, HS has fully maximized its Federal and State funding over the last three years by investing 100% of administrative allocations in the CalWORKs, Food Stamp Administration, Child Welfare Services, Aging and Adult Services, Child Support and Preschool Services Programs.

The HS Foster Care program continues to experience caseload decreases (approximately 19% over the past two years) as a result of the Family to Family Program implemented by Children and Family Services.

Due to the economic downturn, federal stimulus funds of approximately \$23.0 million are anticipated. These funds are designed to augment and maintain services for San Bernardino County residents during this troubling economic time.

The 10-Year Strategy to End Homelessness in San Bernardino County, as supported by the Board of Supervisors, is the backbone of a comprehensive system created to address issues contributing to homelessness in our County, such as mental health, financial stabilization, and lack of affordable housing. The Project Homeless Connect event, scheduled for November 2009, is an opportunity for service providers throughout the County to engage the homeless population and offer needed services in order to end the cycle of homelessness.

Quality of Life

Funding increases in the Department of Community Development and Housing are due to the new Neighborhood Stabilization Grant (NSP) which is designated to assist with the sub-prime mortgage crisis. NSP funds will be allocated to communities hardest hit by the foreclosure and sub-prime crisis to purchase foreclosed homes, at a discount, and rehabilitate and redevelop the homes to stabilize neighborhoods and stem the significant losses in home values of neighboring residences.

As a result of receiving American Recovery and Reinvestment Act funding, the Workforce Development Department (WDD) is expecting to enroll triple the number of job seekers into training classes and supportive services in 2010. In addition, WDD also plans to increase services provided directly to the business community by meeting with businesses to identify needs, conducting specialized workshops, and developing incumbent worker training programs. Furthermore, WDD implemented a Summer Youth Employment Program that will serve approximately 1,800 youth and provide them with paid work experience opportunities over the summer months. The goal of these programs is to meet the changing needs of workers and employers, help dislocated workers to develop competencies in differing technologies, and develop new training opportunities to create pathways to higher skilled and higher paying jobs.

Facilities Management is continuing its goal of resource conservation. The department has implemented California Friendly Landscaping, including irrigation equipment, making it possible to achieve a projected increase in water conservation for 2009-10. The Fleet Management Department is expanding its efforts to improve air quality and reduce fuel consumption. The County fleet consists of 75% ultra low emission vehicles (ULEV), including hybrid vehicles.

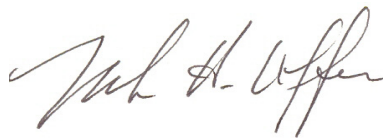
CHALLENGES IN FISCAL YEAR 2009-10 AND BEYOND

In the coming years, the County faces the challenge of continuing to provide quality services to its residents while managing the impacts of reduced revenues. In addition to the general economy, other major challenges facing the County include State and Federal budget impacts. While State and Federal funding reductions are anticipated, adjustments for these impacts will be made mid-year in the County budget after the impacts are fully known. Furthermore, the County is anticipating experiencing high retirement costs in future years as a result of the dismal stock market.

The County will continue its practice of cost reduction by maintaining the hiring freeze and further scrutinizing other cost areas, such as travel and fixed assets. Efficiency reorganizations, such as moving the Office of Legislative Affairs into the Board of Supervisors budget unit and Public Support and Services Group Administration into the County Administrative Office budget unit, were implemented in 2009-10. The County will continue to evaluate other areas of operations that can be consolidated as well as focus on strengthening its core practices and services. Opportunities to outsource cyclical services will be explored as reducing permanent staffing heightens our financial flexibility. A complete examination of the County's various programs and functions is underway in order to maintain those services that are mandated and to streamline service delivery to end users.

CONCLUSION

As a result of our proactive and conservative budgeting practices, San Bernardino County is one of the most fiscally healthy local government agencies in the state. The 2009-10 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As we enter into the new fiscal year, we look forward to opportunities where we can advance the Vision and Mission of the County, which is to serve and enhance the well-being of its residents.



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